



METAWATER Co., Ltd.

For Immediate Release

January 31 2024

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2023 (Unaudited)

[JP GAAP]

Company name	METAWATER Co., Ltd.
Stock exchanges on which the shares are listed	Prime Market of Tokyo Stock Exchange
Securities code	9551
URL	https://www.metawater.co.jp
Representative	Kenji Yamaguchi President and Representative Director
Contact person	Tomoyuki Takase Executive Officer Executive General Manager of Accounting and Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	February 14, 2024
Payment date of cash dividends	—
Supplementary information materials on quarterly results	Available
Quarterly results briefing	Will not be held

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the nine months ended December 31, 2023

(1) Consolidated operating results (year-to-date)

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2023	90,730	16.7	91	—	322	—	(439)	—
Nine months ended December 31, 2022	77,748	16.7	(2,023)	—	(1,428)	—	(1,316)	—

Note: Comprehensive income: Nine months ended December 31, 2023 3,065 million yen 46.9 %
Nine months ended December 31, 2022 2,086 million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Nine months ended December 31, 2023	(10.07)	—
Nine months ended December 31, 2022	(30.21)	—

Note: For the purpose of calculating the net income per share, Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the period.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2023	144,511	68,661	45.7
As of March 31, 2023	142,695	66,639	45.7

Note: Shareholders' equity: As of December 31, 2023 66,021 million yen
As of March 31, 2023 65,191 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	20.00	—	22.00	42.00
Fiscal year ending March 31, 2024	—	22.00	—		
Fiscal year ending March 31, 2024 (Forecast)				22.00	44.00

Note: Revision of forecast for dividends from the latest announcement: No

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2024

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share - Basic -
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2024	155,000	2.8	10,000	15.1	9,500	4.8	6,400	2.4	146.74

Note: Revision of forecast for operating results from the latest announcement: No

Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023 (Changes in specified subsidiaries that caused a change in the scope of consolidation): No
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - (a) Changes by a newly issued or amended accounting pronouncement: No
 - (b) Changes other than (3)-(a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatement: No
- (4) Number of shares issued and outstanding (common stock)
 - (a) Number of shares issued and outstanding at the end of the period (including treasury stock): 47,758,500 shares as of March 31, 2023 and 45,758,500 shares as of December 31, 2023.
 - (b) Number of treasury stock at the end of the period: 4,168,064 shares as of March 31, 2023 and 2,142,964 shares as of December 31, 2023.
 - (c) Average number of shares issued and outstanding for the period: 43,579,236 shares for the nine months ended December 31, 2022 and 43,605,133 shares for the nine months ended December 31, 2023.

Note: Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to be deducted from the gross number of shares issued and outstanding at the end of the period.

* This quarterly report is not subject to the quarterly review performed by certified public accountants or accounting firm.

* Appropriate use of forecasts and other matters

Descriptions and statements in relation to estimates and other forward-looking projections disclosed in this document are based on judgments and assumptions using information currently available to the Company. Actual results may differ significantly from such projections due to risks of uncertainty inherent in such judgments and assumptions as well as changes in business operations and the internal and external environment of the Company. As such, the Company does not guarantee the accuracy of any forward-looking projections disclosed.

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1. Qualitative Information Regarding Consolidated Results for the Nine Months Ended December 31, 2023

(1) Explanation of Operating Results

Japanese economy during the nine months ended December 31, 2023 showed signs of modest recovery, partly due to the various effective policies. The global economy continued to recover modestly, although there were signs of weakness in some regions. Meanwhile, downside risks to the economy, such as prolonged situation in Ukraine, the impact of global monetary tightening, rise in prices, disruption of supply chain and the shortage of semiconductors, need to be kept in mind.

Under such circumstances, the Group has continued to make company-wide efforts to achieve the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024), by focusing on the following priority measures: i) enhancement of foundation field and expansion of growth field, ii) increase in R&D investment and iii) efforts of sustainable ESG.

The operating results of the Group for the nine months ended December 31, 2023 are as the table below.

Plant Engineering Business Segment and Service Solutions Business Segment performed well, and both net sales and operating income increased year on year.

Our business consists mostly of the domestic public work projects for government agencies, which are typically developed and completed intensively in the fourth quarter. As a result, operating results for the first nine months tend to be low, and this fiscal year is no exception.

	Nine months ended December 31, 2022 (Million yen)	Nine months ended December 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	77,748	90,730	12,981	16.7
Operating income	(2,023)	91	2,115	—
Ordinary income	(1,428)	322	1,750	—
Profit attributable to owners of parent	(1,316)	(439)	877	—
Order received	120,985	135,294	14,309	11.8
Order backlog	230,850	273,282	42,432	18.4

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and international business as growth field, and Service Solutions Business Segment including O&M (note 2) as foundation field and PPP (note 3) as growth field.

Operating results by segment are as follows:

Notes:

1. EPC: Engineering, Procurement and Construction
2. O&M: Operation and Maintenance
3. PPP (Public-Private Partnership): the means for the private sector to participate in providing services to the public

(Plant Engineering Business Segment)

The operating results of the Plant Engineering Business Segment are as the table below.

In the EPC business, both net sales and operating income increased year on year, mainly due to increased sales of large projects. In the international business, while operating income was at the same level year on year, net sales increased year on year, mainly due to the steady performance of the North American subsidiaries.

	Nine months ended December 31, 2022 (Million yen)	Nine months ended December 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	47,153	55,985	8,831	18.7
Operating income	(1,676)	(1,367)	309	—
Order received	72,565	72,503	(61)	(0.1)
Order backlog	140,037	137,486	(2,550)	(1.8)

(Service Solutions Business Segment)

The operating results of the Service Solutions Business Segment are as the table below.

In the O&M business, both net sales and operating income increased year on year, mainly due to an increase in repair work. In the PPP business, both net sales and operating income increased year on year, mainly due to the steady performance of consolidated subsidiaries.

	Nine months ended December 31, 2022 (Million yen)	Nine months ended December 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	30,595	34,745	4,149	13.6
Operating income	(347)	1,458	1,805	—
Order received	48,419	62,790	14,371	29.7
Order backlog	90,812	135,795	44,982	49.5

(2) Explanation of Financial Position

Total assets as of December 31, 2023 increased by ¥1,815 million compared to March 31, 2023 to ¥144,511 million.

Current assets decreased by ¥376 million compared to March 31, 2023 to ¥112,265 million due to a decrease in accounts receivable - trade, offsetting an increase in cash and deposits and work in process.

Non-current assets increased by ¥2,139 million compared to March 31, 2023 to ¥32,192 million due to an increase in software.

Current liabilities decreased by ¥11,964 million compared to March 31, 2023 to ¥47,267 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities increased by ¥11,758 million compared to March 31, 2023 to ¥28,581 million due to issuance of bonds as well as an increase in PFI and other project finance loans.

Total net assets increased by ¥2,022 million compared to March 31, 2023 to ¥68,661 million due to an increase in foreign currency translation adjustment, offsetting a decrease in retained earnings attributable to the recognition of loss attributable to owners of parent and payment of dividends.

(3) Explanation of Consolidated Business Forecast

There is no change in the forecast for the fiscal year ending March 31, 2024 announced on April 26, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	11,724	18,672
Notes and accounts receivable - trade, and contract assets	87,191	63,894
Work in process	2,853	13,553
Supplies	7,093	10,146
Other current assets	3,779	5,999
Total current assets	112,642	112,265
Non-current assets		
Property, plant and equipment	5,187	5,661
Intangible assets		
Goodwill	2,467	2,537
Customer-related assets	4,497	4,744
Right to operate public facilities	950	912
Other intangible assets	4,575	7,851
Total intangible assets	12,490	16,046
Investments and other assets	12,374	10,484
Total non-current assets	30,053	32,192
Deferred assets	—	52
Total assets	142,695	144,511

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	25,463	12,657
Electronically recorded obligations	10,158	6,123
Short-term loans payable	2,387	—
Current portion of PFI and other project finance loans	887	698
Income taxes payable	2,339	627
Contract liabilities	7,134	17,719
Provision for warranties for completed construction	1,185	980
Provision for loss on construction contracts	1,224	1,290
Other current liabilities	8,452	7,170
Total current liabilities	59,232	47,267
Non-current liabilities		
Bonds payable	—	10,000
PFI and other project finance loans	11,123	12,765
Liability for retirement benefit	4,386	4,528
Other non-current liabilities	1,312	1,287
Total non-current liabilities	16,823	28,581
Total liabilities	76,055	75,849
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,411	9,410
Retained earnings	50,890	45,199
Treasury stock	(7,089)	(3,640)
Total shareholders' equity	65,158	62,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(182)	162
Deferred gains or losses on hedges	3	29
Foreign currency translation adjustment	1,689	3,983
Remeasurements of defined benefit plans	(1,477)	(1,070)
Total accumulated other comprehensive income	32	3,105
Non-controlling interests	1,447	2,640
Total net assets	66,639	68,661
Total liabilities and net assets	142,695	144,511

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	77,748	90,730
Cost of sales	64,395	73,693
Gross profit	13,353	17,037
Selling, general and administrative expenses	15,377	16,945
Operating income/(loss)	(2,023)	91
Non-operating income		
Interest income	98	108
Dividends income	62	55
Gain on sales of investment securities	—	43
Share of profit of entities accounted for using equity method	88	—
Foreign exchange gain	553	285
Miscellaneous income	140	32
Total non-operating income	943	524
Non-operating expenses		
Interest expenses	158	150
Share of loss of entities accounted for using equity method	—	37
Loss on sales of investment securities	45	—
Commission expenses	53	56
Loss on disposal of non-current assets	64	15
Miscellaneous loss	26	34
Total non-operating expenses	348	294
Ordinary income/(loss)	(1,428)	322
Income/(loss) before income taxes	(1,428)	322
Income taxes	(298)	376
Net loss	(1,129)	(54)
Profit attributable to non-controlling interests	186	384
Loss attributable to owners of parent	(1,316)	(439)

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income (continued)

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net loss	(1,129)	(54)
Other comprehensive income		
Valuation difference on available-for-sale securities	(635)	345
Deferred gains or losses on hedges	226	73
Foreign currency translation adjustment	3,393	2,294
Remeasurements of defined benefit plans	231	406
Total other comprehensive income	3,216	3,119
Comprehensive income	2,086	3,065
(Details)		
Comprehensive income attributable to owners of parent	1,753	2,633
Comprehensive income attributable to non-controlling interests	333	432

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Notes on Significant Changes in Shareholders' Equity

On May 19, 2023, the Company canceled 2,000,000 shares of its treasury stock. As a result, capital surplus decreased by ¥5 million to ¥9,410 million, retained earnings decreased by ¥3,396 million to ¥45,199 million, and treasury stock decreased by ¥3,402 million to ¥3,640 million as of December 31, 2023.

Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the nine months ended December 31, 2023 after applying tax effect accounting, and multiplying income before income taxes for the quarter by such effective tax rate.

Segment Information

Net sales and income or loss by reportable segment for the nine months ended December 31, 2022
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	47,153	30,595	77,748	—	77,748
Inter-segment transactions and transfers	—	—	—	—	—
Total	47,153	30,595	77,748	—	77,748
Segment loss	(1,676)	(347)	(2,023)	—	(2,023)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

Net sales and income or loss by reportable segment for the nine months ended December 31, 2023
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	55,985	34,745	90,730	—	90,730
Inter-segment transactions and transfers	—	—	—	—	—
Total	55,985	34,745	90,730	—	90,730
Segment income/(loss)	(1,367)	1,458	91	—	91

Note: Segment income/(loss) is based on operating income. There is no difference between segment income/(loss) and operating income recorded on the quarterly consolidated statement of income.